



HOUSING LEVY RENEWAL

1981 – 1986 – 1995 – 2002

HOMEOWNERSHIP

A background paper for Levy Renewal discussions

Case for Homeownership

Market Dynamics

Levy Programs:

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New Opportunities to leverage Levy Renewal funding

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HOMEOWNERSHIP SUMMARY

Background---Market---Programs---Levy Opportunity

- ❑ **1995 Levy: \$5.8 million for Homeowner Programs (10% overall Levy)**
 - ◆ Homebuyer Assistance---\$2,513,129
 - ◆ Homeowner Rehabilitation----\$3,320,871
- ❑ **Homeownership builds assets; assets = financial stability, for neighborhoods, for families**
- ❑ **Seattle's homeownership rate is stable: 48.4% in 2000; 48.9% in 1990**
- ❑ **Affordability gap grows:**
 - ◆ Median housing value in Seattle increased 96% from 1990 to 2000; median income for a 4-person household only increased 59%
 - ◆ That household could only afford 8.8% of homes sold in Seattle in 2000
 - ◆ Family of 3 needs 120% of median income to afford median priced home
- ❑ **2002 potential levy production: Homebuyer Assistance**
 - ◆ If \$5.8 million was available, about 350 homebuyers could initially be assisted
 - ◆ Three times that number, or 1,050, could be helped over a 10-15 year period through revolving loans
- ❑ **Levy funding connects to growing homebuyer program network:**
 - ◆ Counseling and education
 - ◆ Affordable mortgage programs; down payment assistance
 - ◆ Affordable new development
- ❑ **Levy funding takes advantage of new leveraging opportunities:**
 - ◆ Partnerships with emerging down payment assistance programs
 - ◆ Using Levy funding in combination with Section 8 vouchers
 - ◆ Employer assisted housing
 - ◆ Hometown Home Loan interest rate buy down
 - ◆ Funding land trust projects
 - ◆ Buyer matching savings incentive programs

THE CASE FOR HOMEOWNERSHIP

- ◆ **Building Assets:** In his 1991 seminal book, *Assets and the Poor*, Washington University Professor Michael Sherraden advanced a simple but powerful thesis: “Assets accumulation and investment, rather than income and consumption, are the key to leaving poverty.” For most families, a home is the most valuable asset they will ever own. It is the ultimate goal in the housing continuum for low-income and working families. Homeownership can provide financial stability by protecting families from increasing rents. As a tangible asset of rising value, a home can serve as a financial leverage for a college education, to start or expand a small business, or to avert a financial crisis caused by a family emergency.
- ◆ **Building Communities:** As a community development vehicle, homeownership has proven to be a powerful tool that yields multiple public benefits. An April 2001 study published by George Mason University’s School of Public Policy and the Local Initiative Support Corporation measured the economic impact of community-based homeownership programs in Seattle, Kalamazoo, Washington D.C., and Houston. In general, community-based for-sale housing development had a demonstrable impact on the neighborhood economy and was the primary driver of revitalization. Residential real-estate values and retail sales increased while crime decreased in the target neighborhoods at greater rates than in those cities as a whole.
- ◆ **Leveraging Public Resources:** Helping low- and moderate-income families buy homes and afford costly repairs so they can remain in their homes has proven to be an effective and efficient use of public dollars. Every Levy dollar invested in home-buyer assistance is matched six times by private-sector mortgage financing, home-buyer savings, and other federal and state resources. In addition, Levy dollars are repaid over time so each dollar has the potential to assist multiple homebuyers. As reported in the George Mason University study released earlier this year, homeownership programs have the ability to expand the local tax base from increased property values and retail sales, and to reduce public safety costs.
- ◆ **Making Homeownership Attainable:** For many low- and moderate-income Seattle residents, city-supported programs have made the difference between struggling to meet escalating rents, relocating to a more affordable area, facing homelessness, or with appropriate help, being able to buy or remain in their home.
 - ❑ For several years, M. Martinez and his wife futilely saved for a down payment as they watched Seattle home prices race out of their reach. With an annual income of \$45,000, they were a long way from affording a median priced home of \$270,000 and monthly mortgage payments of \$1,600. This past summer, they became homeowners and, much to their amazement, did not have to flee to the

suburbs to realize their dream. What tipped the scale in their favor was down payment assistance at 3%-interest through a deferred second mortgage. The Martinezes now live into a three-bedroom townhouse with a den, one-car garage, and a mortgage they can afford.

- ❑ P. Barry, a 43-year-old social worker who earns \$36,000 (70% of Seattle's median income for a single person), was ready to leave the region if he couldn't buy a home in the city. He did not want to contend with a long daily commute to work but wanted the financial security of his own home. With the help of homebuyer counseling classes and low-cost down payment assistance, he was able to buy a 1,340-square-foot house in Seattle. Without help, he believes he would have left the Seattle area or would still be renting.
- ❑ When T. Riley decided to buy a house, she couldn't get a lender or realtor to return her phone calls. She attended homebuyer-counseling classes and spent two years working with one of Seattle's nonprofit homebuyer counseling organizations to tackle her debt and build her savings. "I thought I'd screwed up my credit so bad that I would never get ahead. I had no experience at saving money." With the help of the counseling program and determination, she now owns both a new home and a bank account she can be proud of.
- ❑ Chris and Annie, both in their 80s, were on the verge of losing their home. Medical bills from treatments for Chris' prostate cancer, related complications from surgery, and Annie's back-to-back heart attacks threw the couple into financial turmoil. A large balloon payment on their refinanced mortgage was the last nudge to push them into foreclosure. Once again, one of Seattle's nonprofit counseling organizations came to the rescue. As a result of intensive one-on-one counseling, Annie and Chris were able to identify and liquidate other assets so they could retire their debt and remain in their home.

MARKET DYNAMICS

- ◆ **Homeownership rates remain stable:** Seattle's homeownership rate has remained virtually unchanged over the last decade, declining only modestly. At the same time, homeownership rates in other West Coast cities increased, in most cases very modestly, with the exception of Los Angeles which experienced a 2% decline. Only Portland and nearby Vancouver, WA experienced a substantial increase in their homeownership rates.

Table 1. Change in Homeownership Rates

	1990	2000	% Change
Seattle	48.9%	48.4%	-1.0%
King County	58.8%	59.8%	1.7%
Washington State	62.6%	63.6%	1.6%
Los Angeles	39.4%	38.6%	-2.0%
Portland, OR	53.0%	55.8%	5.3%
San Francisco	34.5%	35.0%	1.4%
San Diego	48.3%	49.5%	2.5%
Vancouver, WA	43.1%	52.9%	22.7%

- ◆ **Increased development of homeowner units.** The stability in Seattle's homeownership rate was largely due to the active development of new single-family and multi-family owner-occupied units during the 1990s. However, the majority of these units were built in more expensive downtown and near-downtown neighborhoods.

TABLE 2. Change in Owner-Occupied Units

Sub-area	1990	2000	Change	% Change
Ballard	11,145	11,473	328	2.9%
Capitol Hill	6,484	7,103	619	9.5%
Central	5,445	6,165	720	13.2%
Downtown	791	2,177	1,386	175.2%
Duwamish	7,099	7,810	711	10.0%
Lake Union	4,970	5,355	385	7.7%
North	8,621	9,163	542	6.3%
Northeast	15,080	15,497	417	2.8%
Northwest	14,925	15,645	720	4.8%
Queen Anne/Magnolia	11,646	12,952	1,306	11.2%
Southeast	9,782	10,644	862	8.8%
West Seattle	19,721	21,181	1,460	7.4%
Total Owner-Occupied Units	115,709	125,165	9,456	8.2%
Total Occupied Housing Units	236,702	258,499	21,797	9.2%

- ◆ **Obstacles to homeownership.** In a survey conducted between June and December 2000 by the Community Home Ownership Center ("CHOC"), participants in the Washington State Housing Finance Commission's homebuyer education classes were asked to rank the greatest obstacles to becoming homeowners. The top three responses were:

85%	Finding a home they can afford
63%	Having enough money for down payment and closing costs
53%	Having good enough credit to get a mortgage.

A survey of Seattle and King County Realtors conducted during 2001 corroborated the CHOC findings. Respondents indicated that the top three services often or always required by first-time, minority and low- to moderate-income buyers were:

- 60% Pre-purchase counseling
- 52% Down-payment assistance
- 41% Credit repair/counseling

- ◆ **Decline in affordability.** Although the homeownership rate has remained stable, Seattle has seen a dramatic shift in who can afford to buy a home. During the same period, family incomes have not kept pace with the increase in home costs. In 1990, a family of four earning 80% of area median income (“AMI”) could afford 18.4% of all homes in Seattle. By 2000, only 8.8% of Seattle’s home sales were affordable to that same family, a decline of 52%. Today, a family of three living in Seattle would need to earn 120% or more of AMI to afford a median-priced home.

TABLE 3. Change in Seattle Housing Values & Affordability

	1990	2000	% Change
Median sales price for single family homes	\$137,900	\$270,000	95.8%
Median income (family of 4)	\$41,500	\$66,000	59.0%
Percentage of home sales affordable at 80% AMI	18.4%	8.8%	- 52.2%

- ◆ **Population shift to affordable suburbs.** The median sale price of a Seattle home is one of the highest in King County. Between 1990 and 2000, Seattle home prices escalated at a greater rate than in most other municipalities in the County.

TABLE 4. Comparison of Home Values in King County

Municipality	1990 Census Median Value	2000 Median Sales Price	Percentage Change
Bellevue	\$192,800	\$359,900	86.7%
Redmond	\$168,600	\$295,750	75.4%
Seattle	\$137,900	\$270,000	95.8%
Kenmore	\$154,000	\$255,000	65.6%
Kent	\$107,100	\$201,900	88.5%
Burien	\$107,900	\$190,000	76.1%
Des Moines	\$109,100	\$179,950	64.9%
Federal Way	\$118,800	\$178,000	49.8%
Tukwila	\$93,900	\$172,975	84.2%
SeaTac	\$93,500	\$166,250	77.8%
Auburn	\$91,500	\$161,950	77.0%
Renton	\$72,300	\$128,500	77.7%

As Seattle's home values have increased, would-be homebuyers have begun looking outside of Seattle in search of more affordable homeownership opportunities. A shift in Washington State Housing Finance Commission loans made in Seattle, the balance of King County, and the balance of the state over the last decade illustrates this migration.

TABLE 5. WSHFC Mortgage Loans in Seattle, King County, & Washington State

Year Originated	Seattle		Balance of King Co.		Balance of State	
	# of Loans	\$ Vol (mil)	# of Loans	\$ Vol (mil)	# of Loans	\$ Vol (mil)
1990	211 (14%)	\$17.2 (18%)	186 (12%)	\$14.9 (15%)	1,127 (74%)	\$35.5 (67%)
1995	137 (9%)	\$13.7 (10%)	166 (11%)	\$15.9 (12%)	1,230 (80%)	\$101.6 (77%)
2000	69 (5%)	\$8.2 (6%)	89 (6%)	\$9.9 (8%)	1,217 (89%)	\$113.6 (86%)

* Down payment assistance was implemented after 1995, so no previous data is available.

The shift in population contributes to the region's heightened traffic congestion, pollution levels, energy consumption, and ultimately, to a loss in the city's residential diversity.

Levy Programs & Potential Impact of New Levy Funding

- ♦ **The 1995 Levy.** In 1995, Seattle voters renewed the Housing Levy, which for the first time included a homeownership component. Just over \$5.8 million out of \$59.2 million was dedicated to affordable homeownership programs:

Homebuyer Assistance	\$2,513,129
Homeowner Rehabilitation (<i>HomeWise</i>)	<u>3,320,871</u>
<i>Total</i>	<i>\$5,834,000</i>

◆ **Homebuyer Assistance Program (Homebuyer Education Required for All Buyers):**

- Homebuyer Assistance Program has two components:
 1. **Hope Loan** is available through HomeSight to first-time homebuyers who earn 80% or less of median income and purchase a home in a Special Objective Area (“SOA”). Eligible homebuyers may borrow up to \$35,000 at 3% interest for a deferred second mortgage to use toward a home purchase. Hope Loans are typically structured so no payments are made during the first 8 years, interest-only payments during years 9-30. Principal and interest payments are due in year 31 or when the home is sold. Borrowers must be able to contribute at least \$2,500 or 2% of the loan amount (whichever is greater) from their own savings, and must purchase a HomeSight or other qualifying home in an SOA.
 2. **Project-Based Down Payment Assistance** is provided to homeownership projects constructed by a variety of community-based housing development organizations and the Seattle Housing Authority. Down payment loans are structured as a second mortgage, which are repaid over time by the homebuyer or upon sale of the home. Financial assistance is coupled with credit counseling and homebuyer training for the borrower.
- **Levy Homebuyer Program Production.** 41 families have received funding to enable them to become homeowners; average loan has been \$22,496. An additional \$525,000 has been reserved thus far for 28 new homebuyer loans. As loans are repaid, Levy funds are reloaned to a new group of low-income homebuyers.
- **Homebuyer Leverage.** The 41 Levy Homebuyer Assistance loans leveraged an additional \$4.2 million. That equals \$6 for every dollar of Levy funds loaned. *The vast majority of leveraged funds are private first mortgage dollars from commercial financial institutions that would not have been loaned to the borrower without down payment assistance being provided.*

TABLE 6. Estimated Home Buyer Assistance Loan Leverage

	Home Buyer Assistance
Total Levy loans (69 loans)	\$1,447,342
Other homebuyer financing	\$8,821,578
Leverage per Levy dollar	6.1 : 1.0

- ❑ **Community Development Leverage/Impacts.** The City of Seattle also uses non-Levy dollars to expand the homeownership program and create community development impacts. New homes developed through the City Levy-funded Project-Based Down Payment Assistance Program create additional returns to the City through future property tax revenue, sales tax on construction, and real estate excise taxes. These Levy-funded projects have been constructed by various organizations including Delridge Neighborhoods Development Association, Habitat for Humanity, HomeSight, and by the Seattle Housing Authority (NewHolly). Levy dollars are used as pre-commitments for down payment assistance to secure private-sector financing to construct the new homes. Other project sources of funds include the federal HOME program, the Multi-Year Fund, and real estate excise taxes. Just one of the Levy-funded organizations (HomeSight) estimates that tax revenues created through their completed developments is nearly \$3.00 for every \$1.00 one dollar of Project-Based home buyer Assistance.
- ❑ **Homebuyer Affordability. 25% of all closed Homebuyer Assistance loans have** been to households earning 31-50% AMI; and 75% of loans have been to households earning 51-80% AMI.
- ❑ **Homebuyer Fair Housing.** City of Seattle Homebuyer Assistance Programs successfully assist households historically underserved by the private lending industry including low- and moderate-income households with strong credit backgrounds (as described above) and households of color. 65% of Homebuyer Assistance Program buyers are households of color.
- ❑ **SOA Limitations** are a part of the program policies so that Levy dollars contribute to community development objectives by helping people buy homes in targeted areas. Currently the Levy Homebuyer Assistance Program limits the use of funds to homes purchased within the existing Special Objectives Areas.

◆ **HomeWise Program:**

- ❑ **HomeWise Loans.** The program helps homeowners by providing low-interest loans for major home repairs. It also offers free or low-cost home insulation and weatherization. The maximum loan amount is \$45,000.
- ❑ **Program Demand.** During the first eight months of 2001, 1112 calls were received requesting assistance. If the program demand stays in line with previous years at least 1,800 calls should be received by the end of the year, and 90 – 100 loans should be closed. Program funding is sufficient to serve 100 households in 2001.
- ❑ **Program Production.** 142 Levy HomeWise loans, at an average loan amount of \$19,395, for a total of \$2,754,034 levy funds loaned to low-income homeowners. These loans have been used to make health and safety repairs on homes and

have assisted homeowners in realizing energy savings. As loans are repaid, Levy funds are reloaned to a new group of low-income homeowners.

- ❑ **Affordability.** Levy HomeWise loans are all affordable to households with incomes less than 50% of median.

◆ **Potential Impact of New Levy Funding:** If \$5.8 million was available in the 2002 Levy for homebuyer assistance:

- ❑ About 350 homebuyers could initially be assisted. That assumes a significant number of loans are made through HomeSight and are sold to a secondary market program, permitting more loans to be made.
- ❑ Three times that number, or 1,050, homebuyers could be helped over 10-15 years as loans are repaid and funds are relent to new homebuyers.

OTHER SUPPORTIVE HOMEOWNERSHIP PROGRAMS

The Levy's Down Payment Assistance and Homeowner Rehabilitation loans are part of a larger resource network that effectively utilizes public and private resources to make homeownership affordable to low- and moderate-income homebuyers and to help low-income and elderly homeowners remain in their homes:

◆ **Counseling is a critical first step.** The success of the Homeownership Program is largely dependent on adequate credit counseling and homebuyer education before a loan is closed and on mortgage default counseling for at-risk homeowners to avoid foreclosure. A variety of nonprofit organizations offer counseling and education classes with support from the Washington State Housing Finance Commission, the City of Seattle, HUD, and private funders. Counseling costs range from \$1,100 to \$1,450 per homeowner. In the past, Levy funds have not been used to fund counseling and education. A partial list follows of organizations that provide counseling and training in Seattle:

- ❑ **HomeSight**, a HUD Certified Counseling Agency, provides buyer information to over 2,000 households and education and counseling services to over 600 households in Seattle annually. Home purchase opportunities for low- and moderate-income, first-time buyers are created through 3 primary program elements including: a 15.5-hour education program linked with financial counseling, new home development and sales and the lending of purchase assistance. (See additional descriptions under "*Other sources of down payment assistance*" and "*Affordable homeownership development*".) Created in

partnership with the City of Seattle in 1990, it is one of the largest of its kind in the State. Nationally recognized for development innovations, quality and volume, education comprehensiveness and buyer lending programs. HomeSight has helped 543 households achieve ownership (258 with loan assistance and an additional 285 used education and counseling alone as their keys to first-time ownership).

- ❑ **Fremont Public Association** provides information and counseling on home-ownership opportunities, credit and debt management, reverse equity mortgage options, mortgage default and foreclosure. FPA's Community Information Hotline receives about 10,000 calls per year from households seeking assistance. Last year, FPA served 459 households: 229 for mortgage default (80 were brought current, 25 negotiated forbearance agreements, and 14 applied to HUD's pre-foreclosure sale); 119 for pre-purchase counseling (11 purchased a home); and 82 for reverse equity mortgage counseling.
- ❑ **Urban League of Metropolitan Seattle** offers 5-hour homeownership seminars and one-on-one follow-up counseling through a recently implemented new program. Last year, the Urban League served 498 households. 248 households received pre-purchase assistance and 28 received mortgage default counseling.
- ❑ **Community Home Ownership Center** is a clearinghouse that links homebuyers with special home ownership services and programs. Since 1996, CHOC has linked over 7,300 lower and moderate-income people to a broad range of home ownership services in the Puget Sound region including mortgage lenders, Realtors, homebuyer education and counseling, credit repair and default/foreclosure prevention programs, and government assistance programs.
- ❑ **International District Housing Alliance (IDHA)** has a WSHFC certified homebuyer education program. IDHA provides homebuyer education in the following languages: Mandarin, Cantonese, Tagalog, Viet Nameese, and Cambodian. They also provide one on one counseling with households and work with them to develop a housing plan and goals to achieve homeownership. Information and assistance is also available for non-English speaking households on other homebuyer assistance programs that are available. This program has served approximately 450 households, the majority of which have a household income of less than 50% of median income.
- ❑ **El Centro de la Raza** provides a WSHFC certified Homebuyer seminar the first Saturday of each month. One on one interviews, which could include credit and financial literacy sessions as funds become available, are also provided to determine participant readiness for home purchase. These classes and the counseling are available in Spanish as the target population for the program are low to moderate income Latino households in Seattle and King County. Fifteen to twenty households a month complete the education and counseling with four to five closing each month.

- ◆ **Other sources of down payment assistance.** The Levy program is often combined with resources from other institutions. These programs are critically important to stretching limited Levy dollars:
 - ❑ **Washington State Housing Finance Commission** offers House Key Plus, a second mortgage with a 5.0% interest rate and 10-year loan term. Borrowers who earn 80% or below of their county's median income can borrow up to \$5,000; borrowers at 81% to 100% of median income can borrow up to \$2,000 for down payment assistance and closing costs. House Key Plus must be used with the Commission's below-market interest rate first mortgage, the House Key Program. Last year, the Commission provided total down payment assistance of \$98,939 for 69 Seattle homebuyers. The average assistance totaled \$1,434. Another Commission product is the Home Choice Program. Created for households with a disabled family member, Home Choice provides a \$15,000 deferred loan for home purchase. HomeSight is the Commission's designated counseling agency for this product in Seattle.
 - ❑ **Federal Home Loan Bank** Home\$tart Savings Program is designed to make homeownership affordable to families with modest incomes. Through Home\$tart, FHLB provides grants to its member banks who use them to match prospective first-time homebuyers' savings with \$3 for every \$1 saved, up to \$5,000 per family. Homebuyers must establish a savings account with the lender, complete a homebuyer education course and save money for at least six months. To qualify, eligible families or individuals must be first-time homebuyers and earn no more than 80% of median income. Home\$tart is also available to families living in public housing who are enrolled in a Family Self-Sufficiency Program through their local housing authority (see *below*). In the past, Seattle institutions have received between \$50,000 to \$350,000 per year, depending on local demand.
 - ❑ **HomeSight** has helped over 540 families become homeowners over the last 11 years by leveraging the Levy's Hope Loan program, other City of Seattle funds, Washington State Housing Finance Commission funding, and federal HOME dollars. In addition to the 60 families that received Hope Loans or have commitments for a Hope Loan, an additional 100 families qualified for a Hope Loan and became homeowners but did not require loan assistance when interest rates dropped. All totaled, HomeSight has originated \$6.8 million in down-payment assistance, which has leveraged an additional \$32.3 million in private mortgages and homebuyer savings. HomeSight is able to sell the down-payment loans it originates to a secondary market, allowing HomeSight to re-lend that capital to new first-time homebuyers.
 - ❑ **Seattle Housing Authority** operates a number of programs that assist SHA residents in creating homeownership down payment accounts. These include: **Family Self-Sufficiency** through which SHA contributes rent increases into an escrow account for participating families. Approximately 90% of the program participants will use the account for down payment on a home. Some 600 households are currently enrolled in the program. **Jobs Plus Rent Policy** through which approximately 110 Rainier Vista residents are also having funds put into an escrow account available for homeownership down payment. **New**

public housing rent policy through which families can also create a savings account available for a down payment.

- ❑ **United Way of King County** has raised \$1.5 million to fund Individual Development Accounts (“IDAs”) in King County. IDAs may be used to purchase a home, start a business, or pay for education expenses. United Way expects \$1.2 million of its initial funding to be used specifically as a 4:1 match (maximum match is \$8,000 per individual) for down payment assistance for individuals who earn less than 50% AML. As many as 150 low-income King County residents could receive assistance to buy a home. The program will be administered by 13 different agencies. United Way has set a goal of raising \$30 million over the next five years to create 5,000 IDAs in King County.
- ❑ **HUD Section 8 homeownership vouchers** may provide a new source of payment assistance. The Seattle Housing Authority Board is expected to make a decision on program participation next year. This program could become an important new vehicle for homebuyer payment assistance.
- ◆ **Affordable homebuyer mortgage programs.** Numerous mortgage programs have been established over the last decade to facilitate homeownership for lower income homebuyers, first-time homebuyers, and would-be buyers with prior credit problems. Most of these mortgage programs are made possible through institutions that buy mortgage-backed securities from retail lending institutions. Although Fannie Mae is the largest of these secondary market institutions, Washington State and the City of Seattle have created innovated programs with private-sector partners.
 - ❑ **Washington State Housing Finance Commission** purchases House Key mortgages, a low-interest rate loan program for first-time homebuyers (borrowers who haven't purchased in the past three years) from participating financial institutions. The current interest rate is 5.99% with two points (1% origination and 1% discount). In 2000, this program helped 69 Seattle households obtain first mortgages totaling \$8,233,561 with an average loan of \$119,327.
 - ❑ **The Hometown Home Loan** is operated in partnership with HomeStreet™ Bank, the AFL-CIO Housing Investment Trust, and Fannie Mae. The program provides significant savings to employees of the City of Seattle, Harborview Hospital, Seattle Public Schools, University of Washington, Seattle University, Seattle Housing Authority, to name a few of the participating employers. The Hometown Home Loan program offers participants a variety of benefits, including a half-point discount on mortgage interest rates, a 30% discount on mortgage insurance, reduced loan fees and closing costs, and free home ownership education when they purchase a home within city limits. The new Location Efficient Mortgage, which enables new homeowners that can walk or use transit to qualify for a larger mortgage, is also a component of this program.
- ◆ **Affordable homeownership development.** A growing number of nonprofit, community-based housing developers are building single-family and condo units that are affordable to low- and moderate-income homebuyers. These programs have

provided significant leverage on public dollars through infrastructure improvements, private-sector construction financing, end mortgages, and homebuyer down payment resources. In addition, they return revenue to public coffers through real estate excise taxes, sales tax on construction, and on an ongoing basis, through new property taxes. Seattle nonprofits engaged in homeownership development include:

- ❑ **HomeSight** has built over 240 new homes since 1990 in Central and Southeast Seattle. Homes are designed and priced with the modest-income, first-time homebuyer in mind. This construction development has created nearly 300,000 square feet of residential space, leveraged over \$20 million in private first mortgages and has resulted in the installation of over \$2 million (through 2000) in public infrastructure including roads, sidewalks, utilities and drainage systems. A majority of the buyers at HomeSight developments utilize its education, counseling and loan assistance programs during the purchase process as well. 304 additional homes are planned for development in Seattle by HomeSight over the next 5 years
- ❑ **Delridge Neighborhood Development Association** was formed in 1996. To date, DNDA has developed 17 affordable condo units in a mixed-use project.
- ❑ **Central Area Development Association** completed its first homeownership project earlier this year with the development of 57 market-rate condominiums in Seattle's Central Area. Units range in price from \$150,000 to 260,000.
- ❑ **Habitat for Humanity** has built 59 affordable homes for very low-income families over the last 15 years. They plan to build 100 additional homes over the next five years.
- ❑ **Low-Income Housing Institute**, which has developed 29 rental properties over the last ten years for very low-income residents, is constructing 25 new affordable townhouses and flats in North Seattle, adjacent to Aki Kurose Village.
- ❑ **Seattle Housing Authority** is developing for-sale housing as part of its HOPE VI redevelopment efforts. Current plans call for 47 additional affordable new single-family, duplex, and town home units at NewHolly and 285 market rate units; 200 homes for low-income working families and 300 homes for sale to the general public at Rainier Vista; and 80 affordable homeownership units, and 655 market rate, for-sale units at High Point.

FUTURE DIRECTION

- ◆ The homeownership component of the 1995 Affordable Housing Levy demonstrated how Levy funds could support affordable homeownership in Seattle. Key questions based on program results and market trends:

1. Should Levy funding continue to be available for homebuyer assistance? If so, what funding level would be adequate, good, best? Is the current funding level appropriate to continue?
2. Should homebuyer assistance funding continue to be limited to Special Objective Areas?
3. Should Levy funding continue to be available for homeowner rehabilitation? If so, what funding level would be adequate, good, best?

◆ **Issues and trends that might affect the Levy's focus include:**

- ❑ Secondary markets have begun using more stringent underwriting guidelines which are expected to increase mortgage interest rates for homebuyers who fit into newly defined "at-risk" categories. Higher interest rates reduce borrower purchasing power, resulting in an increased need for down-payment assistance. The City's current Homeownership policies prohibit use of sub-prime mortgage products with City funded Homebuyer Assistance loans.
- ❑ The region's economy is softening. As unemployment and under-employment increase, more homeowners may be at risk for defaulting on home mortgages. Mortgage default and forbearance counseling are likely to play a critical role in helping impacted homeowners stay in their homes.

◆ **New opportunities to leverage Levy dollars could include:**

- ❑ **Partner with the Washington State Housing Finance Commission** to encourage more aggressive House Key set asides for City of Seattle homebuyers.
- ❑ **Partnerships with emerging down payment assistance programs**, such as United Way's IDA initiative, could reduce the average size of the Levy loan while increasing the number of homebuyers who receive assistance.
- ❑ **Using Levy funds in conjunction with HUD Section 8 vouchers** (pending the SHA Board's decision to use them) to extend homeownership opportunities to more low-income homebuyers than might normally benefit from existing programs. (Current program rules apply the same payment standards for rental assistance to home purchases. The 15-year voucher limit results in prohibitively high mortgage payments. Additional down payment assistance or an upfront interest-rate write down might address this problem for some homebuyers.) HomeSight is currently implementing a Section 8 to Homeownership Demonstration Program in Snohomish County, which is experiencing strong interest and early successes.
- ❑ **Participating directly in the Hometown Home Loan program** to help buy down interest rates an additional half-percentage point, thereby increasing mortgage

affordability for lower income homebuyers. The City could recoup its investment through a shared appreciation agreement with the borrower.

- ❑ **Working with employers** and nonprofits to support/fund employer assisted housing strategies.
- ❑ **Funding a land trust** to buy and lease land to homebuyers as a way of reducing the cost of home acquisition.
- ❑ **Funding a homebuyer counseling fee** through existing deferred second mortgages.
- ❑ **Participating in / supporting buyer matching savings incentive programs.**